

HOUSE BILL REPORT

HB 2799

As Reported by House Committee On:
Technology, Energy & Communications
Finance

Title: An act relating to providing tax exemptions for solar hot water systems.

Brief Description: Providing tax exemptions for solar hot water equipment.

Sponsors: Representatives Chase, Morris, Crouse, Eickmeyer, Clibborn, P. Sullivan, Hunt, McCoy, Miloscia, Grant, Sells, Williams, McCune, Moeller, Conway, Upthegrove, Morrell, Simpson, Kilmer, Kagi, Hudgins, Dunn and Darneille.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/26/06 [DPS];

Finance: 2/2/06, 2/6/06 [DP2S(w/o sub TEC)].

Brief Summary of Second Substitute Bill

- Exempts solar water heating systems and related components from retail sales and use taxes.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Ericks, Hankins, Hudgins, Nixon, P. Sullivan, Sump, Takko and Wallace.

Staff: Scott Richards (786-7156).

Background:

Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

Sales Tax Exemption for Electricity Generating Machinery and Equipment

To encourage the development of alternative energy generation facilities, Washington exempts from retail sales tax machinery and equipment, including installation labor and services, used directly in generating electricity by the use of wind, sun, land-fill gas or fuel

cells. To qualify for the exemption, the facility must be capable of generating a minimum of 200 watts of electricity. This exemption is scheduled to expire on June 30, 2009.

Washington State levies and collects a tax on each retail sale in this state equal to 6.5 percent of the selling price.

Solar Rating and Certification Corporation Standards

The Solar Rating and Certification Corporation (SRCC) is a non-profit organization whose primary purpose is the development and implementation of certification programs and national rating standards for solar energy equipment. The SRCC is an independent third-party certification entity. It is the only national certification program established solely for solar energy products. States such as Arizona, California, Colorado, Hawaii, Illinois, Louisiana, Maryland, Minnesota, Montana, Nevada, Oregon, Pennsylvania, Vermont and Wisconsin require that only SRCC rated solar hot water collectors to be installed.

The SRCC administers a certification, rating, and labeling program for solar collectors and a similar program for complete solar water and swimming pool heating systems. Equipment which has been certified and rated by SRCC is required to bear the SRCC certification label which shows the performance rating for that product. In addition, each certified product is published by SRCC in a directory. Each product's directory listing contains information on the product's material and specifications as well as the certified thermal performance rating.

Summary of Substitute Bill:

Sales Tax Exemption for Electricity Generating Machinery and Equipment

Solar hot water collectors generating thermal energy are exempt from state sales tax related to electricity generating machinery and equipment.

Solar hot water collector means those collectors that have been rated and currently listed by the Solar Rating and Certification Corporation.

Substitute Bill Compared to Original Bill:

Clarifies that thermal is the type of energy related to solar hot water collectors. Defines solar hot water collector to mean those collectors that have been rated and currently listed by the Solar Rating and Certification Corporation. Extends the retail sales tax exemption to specified solar hot water collectors.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This act includes solar hot water generation to the state's list of alternative energy appliances that qualifies for a retail sales tax exemption. While it does not generate energy, it does save energy. It helps address global warming and dependence on carbon-based fuels. In the home, the top two energy users are home heating and water heating. Solar thermal systems can address these top two energy users in the home. It can help reduce pollutants and carbon dioxide emissions.

Testimony Against: None.

Persons Testifying: Representative Chase, prime sponsor; and Larry Owens, Solar Washington and Shoreline Solar Project.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Mark Matteson (786-7145).

Background:

The state imposes a use tax as a complement to the retail sales tax. The use tax applies at the same rate to the use of tangible personal property and to certain services and extended warranties when sales tax has not been paid.

Sales and use taxes are also imposed by local governments. Rates vary across the state and range from 0.5 percent to 2.4 percent.

The state and local tax base is the same for retail sales and use taxes. Property, services, and extended warranties that are exempt from state sales and use taxes are exempt from local sales and use taxes as well.

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Technology, Energy & Communications:

Clarifies that a sales tax exemption is provided for the acquisition of solar water heating collectors, which convert light energy into heat energy. Provides a complementary use tax exemption. Provides sales and use tax exemptions also with respect to integrated solar water heating systems, solar heat exchangers, and temperature controllers for such systems. Requires that to be eligible, systems (as well as collectors) must be certified as meeting industry operational guidelines.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date of Second Substitute Bill: The bill takes effect on July 1, 2006.

Testimony For: As we hear about the increasing significance of global warming and the need to be carbon neutral, there are many things that we can do, and this is one of them. Solar hot water tubes like this have demonstrated a reduction in energy load from 40 to almost 100 percent. This system is used in places like the Yukon. It can even heat when the temperatures are 20 degrees below, and only 10 percent efficiency is lost. The technology has been around for 20 years, but up until recently it was not viable because they were unable to find metal that could expand at the same rate as the glass.

The enactment of solar energy production-based incentives last year demonstrates a commitment toward renewable energy in this state. Under current law, sales tax does not apply to solar electric equipment or to other electricity-generating equipment fueled by wind, fuel cells, or other alternative fuel sources. However, there is no exemption for equipment that generates heat energy from renewable resources. The two activities in the home that consume the most energy are the heating of the home itself, and the heating of hot water. Extending the sales tax exemption to solar heating systems makes sense for several reasons. Solar heating systems can help to heat the home and to generate hot water. Also, a solar hot water system, if replacing a conventional electric hot water system, can reduce the equivalent of 40 to almost 100 percent of the carbon dioxide emissions of a motor vehicle. Nitrous oxides and sulfur dioxides may also be reduced. If even a small percentage of our houses, not including commercial buildings, use these systems, it would be a great boon to this industry and associated jobs.

Testimony Against: None.

Persons Testifying: Representative Chase, prime sponsor; and Larry Owens, Shoreline Solar Projects and Solar Washington.

Persons Signed In To Testify But Not Testifying: None.